

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS NEEDHAM TO INTERROGATORIES OF  
NASHUA PHOTO INC., DISTRICT PHOTO INC., MYSTIC COLOR LAB, AND  
SEATTLE FILMWORKS, INC.  
REDIRECTED FROM WITNESS FRONK  
(NDMS/USPS-T32-37(A)-(C) AND T32-40)

The United States Postal Service hereby provides responses of witness Needham to the following interrogatories of Nashua Photo Inc., District Photo Inc., Mystic Color Lab, and Seattle Filmworks, Inc.: NDMS/USPS-T32-37(a)-(c) and T32-40, filed on September 4, 1997, and redirected from witness Fronk.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



David H. Rubin

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September 18, 1997

RESPONSE OF POSTAL SERVICE WITNESS NEEDHAM TO  
INTERROGATORY OF NASHUA PHOTO, INC., DISTRICT  
PHOTO, INC., MYSTIC COLOR LAB, AND SEATTLE FILMWORKS, INC.  
REDIRECTED FROM WITNESS FRONK

NDMS/USPS-T32-37.

- a. What was the total number of BRMAS accounts in Base Year 1996?
- b. What was the total volume of BRMAS mail which paid BRMAS rates in Base Year 1996?
- c. What was the average volume of BRMAS mail paid by BRMAS accounts in Base Year 1996?

RESPONSE:

- a) The total number of Business Reply Mail advance deposit accounts for the 1996 Base Year was 132,871, which includes both BRMAS and non-BRMAS accounts. Since this total number of accounts is calculated using the total BRM advance deposit accounting fee revenue divided by the annual accounting fee, it is not possible to determine the specific number of BRMAS accounts.
- b) The total volume of mail which was charged the BRMAS fee in Base Year 1996 was 512,735,971.
- c) Please see my response to a) above. Since the number of BRMAS accounts is not known it is not possible to provide the information requested.

**RESPONSE OF POSTAL SERVICE WITNESS NEEDHAM TO  
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REDIRECTED FROM WITNESS FRONK**

**NDMS/USPS-T32-40.**

- a. In your opinion, could a monthly fee be charged for (I) QBRM, and/or (ii) advance deposit BRM that would eliminate the need to charge per-piece fees to recipients of such types of mail? Why or why not? Please explain your answer fully.**
- b. In your opinion, will the per-piece rates which would be charged (I) QBRM mailers, and/or (ii) advance deposit BRM mailers who receive daily volume of hundreds or thousands of mailpieces subsidize the accounting costs incurred by the Postal Service to calculate the postage due from QBRM and/or advance deposit BRM mailers whose daily volumes are small (i.e., under 100 pieces)? Please explain your answer fully.**
- c. In your opinion, which of the following methods would be superior to ensure that a mailer receiving QBRM or advance deposit BRM pays all costs incurred by the Postal Service in calculating that mailer's postage due from BRM received: (I) a monthly fee with no per-piece charge; (ii) a per-piece charge with no monthly fee; or (iii) a two-part fee consisting of a fixed amount plus a per-piece fee? Please explain your answer fully.**

**RESPONSE:**

- a) No. Since the counting, rating, and billing costs for QBRM and other advance deposit BRM are volume related, I believe that the fee design should include a per-piece fee. Due to the fluctuations in BRM volume received by BRM mailers, it would be very difficult to assess a monthly fee as opposed to per-piece fees while meeting the pricing criteria of the Postal Reorganization Act. Further, costs are determined separately for the BRM permit fee, accounting fee, and the per-piece fees.**

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NDMS/USPS-T32-40. Continued

- b) My opinion would depend on the costs for the groups of BRM customers you define, which I do not believe are available. However, I would not be surprised if the BRM service is like other special services and subclasses of mail in which low-cost customers pay a greater contribution than high-cost customers.
- c) Unless option iii is intended to represent the current system, the current system of an annual permit fee, an annual accounting fee, and per-piece fees is superior to the three options described in the interrogatory. The current fee assessment system relies on the actual costs for the BRM services and is an appropriate means to recover the volume related and non-volume related costs for QBRM and the other advance deposit BRM.

# DECLARATION

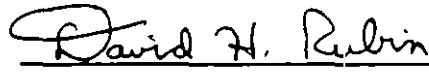
I, Susan W. Needham, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Susan W Needham

Dated: September 18, 1997.

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

  
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David H. Rubin

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September 18, 1997